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Jameland Mines Limited

Annual Report, 1968

Jameland Mines Limited

Report to Shareholders

On behalf of the directors of Jameland Mines Limited, I am pleased to present this report to you which includes a report by Mr. Graham Walkey, P.Eng., Vice-President and General Manager, dated October 9, 1968, financial statements of the company as at June 30, 1968, reported upon by your auditors, McDonald, Nicholson & Co., Chartered Accountants, with comparative figures as at December 31, 1967, and December 31, 1966.

In 1966, a study of results obtained from limited surface exploration and the small amount of diamond drilling on the Jameland property, an exploration program was developed consisting of geophysical surveying, drilling in detail the sulphide zone located by Dominion Gulf, and checking strike extensions as well as drilling untested geophysical anomalies. In August of 1966, work commenced under supervision of the staff of Kam-Kotia Mines Limited and 102 holes were drilled, totalling 79,724 feet. The program has cost approximately \$630,000. These funds were obtained through the sale of treasury shares.

The drilling has indicated the presence of some 432,000 tons of ore grading 1.96% copper and 170,000 tons grading 1.06% copper and 7.21% zinc. There is an additional 3,000,000 tons of possible ore in the zones drilled, but, there is not sufficient information to class this tonnage as probable ore. In the opinion of your directors, shaft sinking and underground development with the objective of production from this property are warranted.

It was estimated that from May 1, 1968, a further \$2,000,000 would be required to bring the mine to the point of production, \$935,000 of which will cover the cost of surface construction and equipment and the balance to finance the sinking of a four-compartment shaft to a depth of 1,300 feet from the surface and the required cross-cutting, drifting, raising, development and stope preparation.

Kam-Kotia Mines Limited is increasing its milling capacity from 1,800 tons per day to 2,700 tons per day, and has agreed to make available to Jameland, facilities to mill 20,000 tons of this ore per month, consequently, at this time, Jameland does not find it necessary to finance the construction of a mill.

Kam-Kotia had advanced the necessary funds to allow Jameland to proceed with the construction of its surface plant. Your company has now completed negotiations with the Canadian Imperial Bank of Commerce for a \$1,000,000 loan which will repay Kam-Kotia's advances and will cover the balance of the cost of surface plant and equipment.

Dickenson Mines Limited and Kam-Kotia Mines Limited have guaranteed repayment to the Canadian Imperial Bank of Commerce of loans made and to be made by the bank to Jameland in the amount of \$1,000,000. In consideration of these guarantees and of other accommodations to this company by Dickenson and Kam-Kotia, Jameland has entered into an agreement whereby Dickenson and Kam-Kotia are granted options until October 15, 1971, to

purchase a total of 400,000 shares of Jameland at 60¢ per share.

Jameland has also entered into an agreement with Kam-Kotia whereby Kam-Kotia will perform, or have performed and pay for, sinking of the shaft and the underground development work mentioned above, and will receive shares of Jameland at 60¢ per share for their expenditures in this connection. Pursuant to Section 83A, Sub-Section 8A of the Income Tax Act, Canada, Jameland and Kam-Kotia have agreed that Kam-Kotia will be able to deduct from its income, subject to tax, the expenditures it incurs in the shaft-sinking and underground development work on the Jameland property. As it is anticipated, these expenditures will amount to approximately \$1,000,000. Jameland will set aside 1,666,666 shares for this purpose.

In order to make available a sufficient number of shares of Jameland to meet the commitments described herein, namely the shares applicable to the shaft-sinking and underground development, as well as the options to Dickenson and Kam-Kotia, it is proposed that an application be submitted for Supplementary Letters Patent, authorizing an increase in the authorized capital of Jameland Mines Limited from 3,000,000 shares to 5,000,000 shares.

At the Annual and Special General Meeting of Shareholders of the company, to be held on November 11, 1968, shareholders are going to be asked to ratify and confirm the following:

1. Application to the Lieutenant Governor of the Province of Ontario for Supple-

mentary Letters Patent increasing the authorized capital of Jameland from 3,000,000 to 5,000,000 shares.

2. The agreement between Jameland and Kam-Kotia relating to the sinking of the shaft, the underground development work and the allotment and issue of shares of Jameland to Kam-Kotia in consideration of funds spent by Kam-Kotia on the Jameland property.
3. The option agreement between Jameland and Dickenson and Kam-Kotia, in which Dickenson and Kam-Kotia will have an option to purchase 400,000 shares of Jameland at 60¢ per share in consideration of the guaranty of Jameland's loans at the Canadian Imperial Bank of Commerce in the amount of \$1,000,000.

Shareholders are invited to the Annual and Special General Meeting, to be held in Suite 416, 25 Adelaide Street West, Toronto 1, Ontario, on November 11, 1968. If you are unable to attend in person and wish to be represented, you may do so by appointing your proxy. A form for your use in this connection is enclosed.

Respectfully submitted on behalf of the Board,

A. W. WHITE,
President.

October 15, 1968.

Jameland Mines Limited

October 9, 1968.

To: The President and Directors,
Jameland Mines Ltd.

Gentlemen:

This report covers operations on Jameland Mines property in Jamieson Township, adjacent to Kam-Kotia's operations for 1967 and 1968, up to September 30, 1968.

EXPLORATION

The exploration program involved diamond drilling to check potential targets and geophysical exploration was carried out over portions of the property to help define target areas for diamond drilling. The diamond drilling program started in the summer of 1966, was continued through 1967 and stopped at the end of June, 1968. Total footage drilled was 50,683 ft. in 1967 and 15,874 ft. in 1968. At the peak of the program, 3 drill rigs were employed. Surface diamond drilling was terminated when sufficient information to plan the underground development was available. Future exploration can also be more cheaply and efficiently carried out from underground openings, as the length of surface holes required was increasing due to the plunge of the ore bodies. The diamond drilling indicated 12 ore lenses with seasonable detail and the ore types, similar to Kam-Kotia's ore bodies varied from stringer type deposits to massive sulphides. Many of the indicated lenses may prove to be contiguous when they are developed for mining. Ore has been indicated along a strike length of about 2,000 ft. and the ore bearing zone is open along strike and down the dip.

ORE RESERVES

These are based on diamond drill cores and assays of the available core, with an allowance for dilution. The figures are based on the block to 900 ft. below surface only.

Copper Ore — 432,000 tons at 1.96% Copper.

Copper Zinc Ore — 170,000 tons grading 1.06% Copper and 7.21% Zinc.

Precious metal content recoverable and payable is estimated at \$0.35 per ton.

There is an additional 3,000,000 tons of possible ore in the zones drilled, but, there is not sufficient information to class this tonnage as probable ore.

DEVELOPMENT AND PRODUCTION PLANNING

In the early summer of 1967, when drill results indicated economic ore bodies, studies were made to determine the best method to further explore the property and develop the property for production. As the ore zones occur from close to surface to at least 900 ft. below surface, and probably deeper, a shaft and underground development is necessary. The selection of the shaft was a compromise between surface conditions and nearness to the ore bodies. The shaft site was selected after completing a program of overburden depth testing and the site selected is on Claim P 37677, in the F. W. of the zones and at the west end of most of the indicated ore. Once the site was selected, plans to prepare the site for shaft sinking and plant construction were prepared and actual work started early in September 1967. This involved the following:

1. Building an all weather road from Kam-Kotia to the site, a distance of about 7,000 ft.
2. Clearing the shaft and plant site.
3. Excavation of a drainage ditch to drain the site to the Kamiscotia River, a distance of about 3,000 ft.
4. Stripping the shaft and plant site to bed rock.

All this was done and the collar excavated 40 ft. in rock by the end of 1967. A concrete collar was poured at the beginning of 1968, and field operations, other than diamond drilling were terminated until May 1968.

The shaft and plant were designed and the estimated cost of building the mine plant, sinking the shaft about 1,300 ft. and doing enough development work to allow production at a rate of 20,000 tons per month was \$2,012,000 plus working capital of about \$280,000. The plant consists of a 10 ft. diameter 1,000 H.P. hoist, 3,500 C.F.M. compressor capacity, 2,500 K.W. substation, with related facilities. The head frame is bolted steel, 120 ft. high, for a 30,000 lb. rope pull, complete with 700 and 300 ton steel bins for ore and waste storage. The buildings include a hoist, compressor and electric distribution centre, and a service building attached to the head frame housing dry facilities, office and warehouse space and shops.

Construction of the plant is basically complete as of September 30th, and shaft sinking will start in October 1968.

The shaft design is identical to Kam-Kotia's shaft. It is planned to establish levels at 350, 500, 720 and 920 ft. below the collar for mine development and a station will be cut at 1,160 ft. for future shaft deepening. Shaft sinking and preproduction development would be completed by February 1970, and actual production should begin in March 1970.

MANAGEMENT AND SUPERVISION

All work performed on the property has been under the supervision of Kam-Kotia's mine staff and Kam-Kotia's staff acted as engineers and general contractors for plant design and construction. Much of the construction and equipment installations have been done by Kam-Kotia personnel at cost. It is proposed that Kam-Kotia continue to act as managers and provide supervision, engineering and geological control. Kam-Kotia will also provide all other necessary services at cost and thus avoid duplication of expensive services.

MILLING

It is proposed that Jameland's mine production be processed and milled at Kam-Kotia's plant, and, with this in mind, Kam-Kotia has and is completing the necessary facilities to crush and mill Jameland's production. It is estimated that Kam-Kotia will be able to provide capacity to process at least 20,000 tons of Jameland ore per month. This arrangement will be on a contractual basis.

FINANCING

Since May 1968, Kam-Kotia has advanced the necessary funds to cover cost of construction, until financing arrangements have been completed. Feasibility studies, by Kam-Kotia's staff, show that probable ore reserves are sufficient to return the capital required, at current metal prices and probable production costs.

ACKNOWLEDGEMENT

The design and construction of the plant has been particularly difficult due to the nature of the terrain, and this has placed a heavy burden on Kam-Kotia's staff who were, in addition, carrying out major construction and development programs on Kam-Kotia's own operations. I would like to record my thanks and appreciation to Kam-Kotia's staff and personnel for a job well done under difficult and arduous conditions. I am also appreciative of the cooperation and performances of the contractors and consultants who carried out the work assigned to them very ably. The support and consideration of the President and my fellow directors is also gratefully acknowledged.

Yours very truly,

G. W. WALKEY,
Vice-President and General Manager.

Jameland Mines Limited

BALANCE SHEET — June 30, 1968

ASSETS

	June 30, 1968	Dec. 31, 1967	Dec. 31, 1966
CURRENT ASSETS			
Cash in banks	\$ 387	\$ 62,820	\$ 9,671
Interest receivable	—	1,208	304
Bank deposit receipts	—	175,000	55,000
	<u>387</u>	<u>239,028</u>	<u>64,975</u>
RECOVERABLE DEPOSIT — Ontario Hydro	<u>20,800</u>	<u>—</u>	<u>—</u>
FIXED ASSETS, at cost			
Buildings	175,899	13,923	—
Equipment	214,562	196,226	—
	<u>390,461</u>	<u>210,149</u>	<u>—</u>
INTEREST IN MINING PROPERTIES (Note 1)			
Mining claims in the Townships of Robb and Jamieson, Ontario	79,000	79,000	79,000
Deferred exploration and development expenditures, per state- ment herewith	642,834	442,974	85,127
	<u>\$ 721,834</u>	<u>\$ 521,974</u>	<u>\$ 164,127</u>
ORGANIZATION EXPENSE	<u>1,935</u>	<u>1,935</u>	<u>1,935</u>
	<u><u>\$1,135,417</u></u>	<u><u>\$ 973,086</u></u>	<u><u>\$ 231,037</u></u>

The accompanying notes form an integral part of this statement.

h comparative figures at December 31, 1966 and 1967)

LIABILITIES

	June 30, 1968	Dec. 31, 1967	Dec. 31, 1966
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$ 142,115	\$ 56,266	\$ 15,945
Due to Kam-Kotia Mines Limited	78,936	—	—
	<u>221,051</u>	<u>56,266</u>	<u>15,945</u>
SHAREHOLDERS' EQUITY			
Capital stock (Note 2)			
Authorized 3,000,000 shares of \$1.00 par value each	<u>\$3,000,000</u>		
Issued and fully paid:			
2,740,005 shares (1,440,005 in 1966)	2,740,005	2,740,005	1,440,005
Less: Discount	<u>1,809,000</u>	<u>1,809,000</u>	<u>1,219,000</u>
	931,005	931,005	221,005
Deficit, per statement herewith	16,639	14,185	5,913
	<u>914,366</u>	<u>916,820</u>	<u>215,092</u>
Approved on behalf of the Board.			
A. W. WHITE, Director.			
H. R. HEARD, Director.			
	<u>\$1,135,417</u>	<u>\$ 973,086</u>	<u>\$ 231,037</u>

AUDITORS' REPORT

To the Shareholders,
Jameland Mines Limited,
Toronto, Ontario.

We have examined the balance sheet of Jameland Mines Limited as at June 30, 1968, together with the statements of deficit, deferred exploration and development expenditures and source and application of funds for the six months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1968, and the results of its operations and the source and application of its funds for the six months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Nicholson & Co.,
Chartered Accountants.

Toronto, September 16, 1968.

part of this statement.

Jameland Mines Limited

Statement of Deficit

FOR THE SIX MONTHS ENDED JUNE 30, 1968

(With comparative figures for the years ended December 31, 1966 and 1967)

	Six months ended June 30, 1968	Year ended Dec. 31, 1967	Year ended Dec. 31, 1966
ADMINISTRATIVE EXPENSES			
Administrative services	\$ 3,000	\$ 3,550	\$ 1,175
Directors' fees	500	1,000	—
Legal and audit	750	1,175	175
Office and general	31	157	229
Prospectus preparation and distribution	555	7,174	3,302
Publicity	—	794	894
Salaries — officers	50	200	—
Taxes — other than income	20	20	20
Transfer agent's fees and expenses	485	1,137	487
Travel	—	147	—
	<u>5,391</u>	<u>15,354</u>	<u>6,282</u>
<i>Deduct:</i> Interest income	2,937	7,082	1,982
	<u>2,454</u>	<u>8,272</u>	<u>4,300</u>
Balance at beginning of period	14,185	5,913	1,613
BALANCE at end of period transferred to balance sheet	<u>\$ 16,639</u>	<u>\$ 14,185</u>	<u>\$ 5,913</u>

The accompanying notes form an integral part of this statement.

Jameland Mines Limited

Statement of Deferred Exploration and Development Expenditures

FOR THE SIX MONTHS ENDED JUNE 30, 1968

(With comparative figures for the years ended December 31, 1966 and 1967)

	Six months ended June 30, 1968	Year ended Dec. 31, 1967	Year ended Dec. 31, 1966
EXPLORATION AND DEVELOPMENT			
Acreage taxes	\$ —	\$ 75	\$ 75
Diamond drilling	88,727	282,994	65,123
Engineering and geology	18,167	11,460	500
Geophysical surveys	—	7,695	—
Miscellaneous	219	773	—
Road building	972	26,527	—
Site clearing and preparation	28,487	10,496	—
Shaft collar	37,222	—	—
Shaft sinking — timber	21,658	—	—
Technical services and supervision	4,408	17,827	7,050
	<u>199,860</u>	<u>357,847</u>	<u>72,748</u>
Balance, January 1	442,974	85,127	12,379
BALANCE at end of period, transferred to balance sheet	<u>\$ 642,834</u>	<u>\$ 442,974</u>	<u>\$ 85,127</u>

The accompanying notes form an integral part of this statement.

Jameland Mines Limited

Statement of Source and Application of Funds

FOR THE SIX MONTHS ENDED JUNE 30, 1968

(With comparative figures for the years ended December 31, 1966 and 1967)

	Six months ended June 30, 1968	Year ended Dec. 31, 1967	Year ended Dec. 31, 1966
SOURCE OF FUNDS			
Issue of shares for cash	\$ —	\$ 710,000	\$ 125,000
Issue of shares in settlement of advances	—	—	6,000
Interest received	2,937	7,082	1,982
	<u>2,937</u>	<u>717,082</u>	<u>132,982</u>
APPLICATION OF FUNDS			
Building construction costs	161,976	13,923	—
Equipment purchases	18,336	196,226	—
Exploration and development expenditures	199,860	357,847	72,748
Administrative expenses	5,391	15,354	6,282
Recoverable deposit	20,800	—	—
	<u>406,363</u>	<u>583,350</u>	<u>79,030</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(403,426)	133,732	53,952
Working capital (deficiency) at beginning of period	182,762	49,030	(4,922)
WORKING CAPITAL (DEFICIENCY) at end of period	<u>\$(220,664)</u>	<u>\$ 182,762</u>	<u>\$ 49,030</u>
Current assets	\$ 387	\$ 239,028	\$ 64,975
Current liabilities	221,051	56,266	15,945
WORKING CAPITAL (DEFICIENCY)	<u>\$(220,664)</u>	<u>\$ 182,762</u>	<u>\$ 49,030</u>

The accompanying notes form an integral part of this statement.

Jameland Mines Limited

Notes to Financial Statements

JUNE 30, 1968

1. MINING PROPERTIES

The 22 mining claims situated in Robb and Jamieson Townships, Province of Ontario were acquired by the issuance of 750,000 shares of capital stock recorded at 10¢ per share and the payment in cash of \$4,000.

2. CAPITAL STOCK

During the year ended December 31, 1967, the company issued 1,300,000 fully paid and non-assessable shares of its capital stock for a cash consideration of \$710,000, pursuant to the terms of underwriting agreements dated May 3, 1966, as amended and August 8, 1967.

During the year ended December 31, 1966, the company issued 500,000 fully paid and non-assessable shares of its capital stock for a cash consideration of \$125,000, pursuant to the terms of an underwriting agreement dated May 3, 1966.

3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

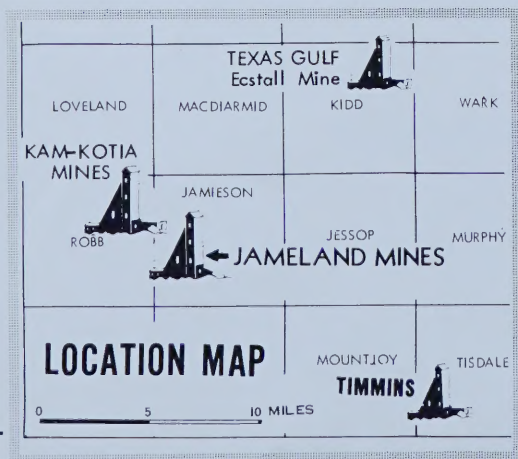
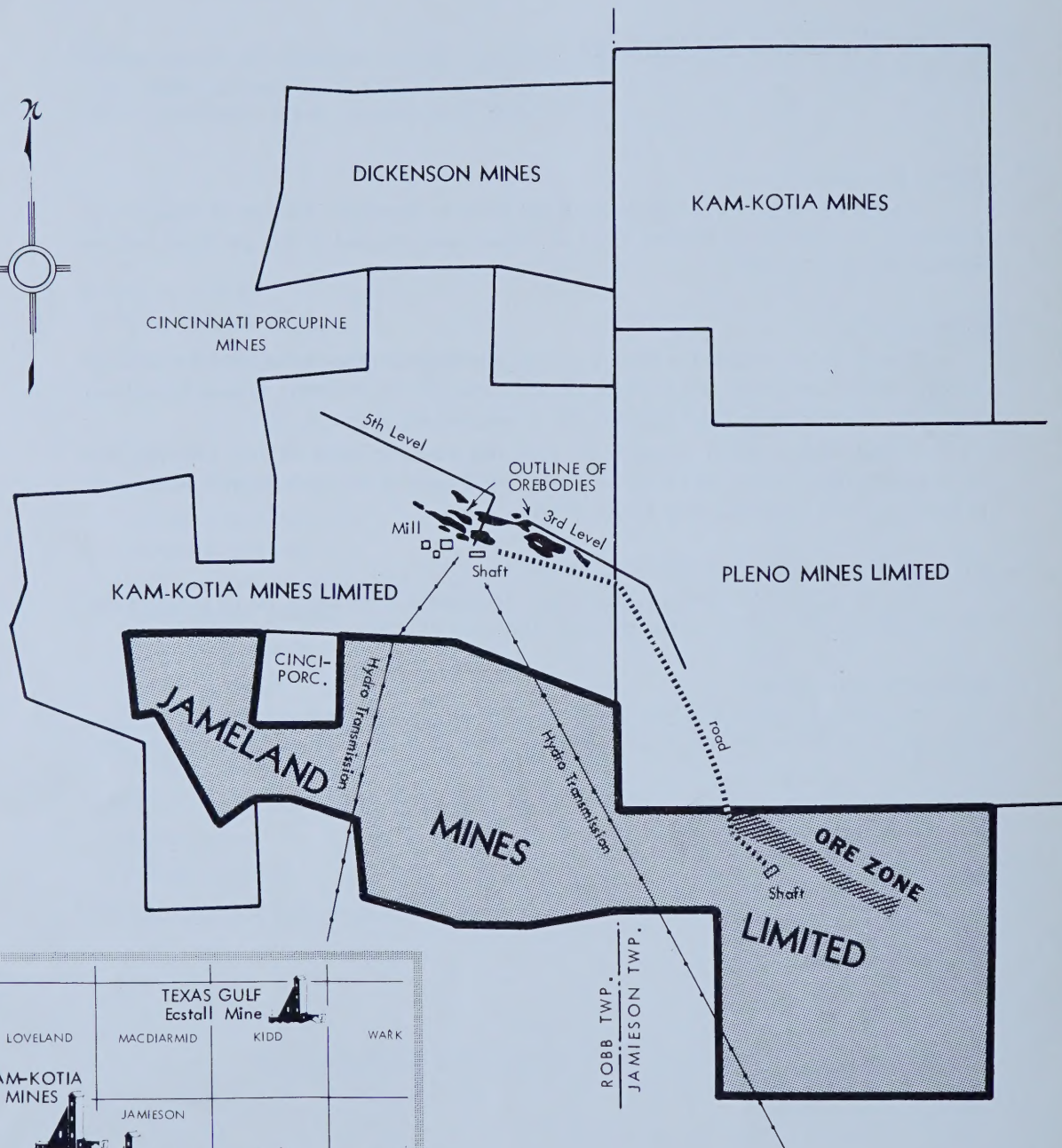
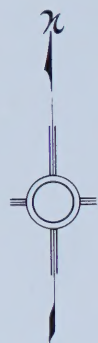
Remuneration of directors and senior officers amounted to \$550. during the six months ended June 30, 1968 and \$1,200. during the year ended December 31, 1967.

4. SUBSEQUENT TRANSACTIONS

During the months of July and August, 1968, Kam-Kotia Mines Limited advanced a further \$224,000. in connection with the construction of the mine plant and sinking of a production shaft.

JAMELAND MINES LIMITED

KAMISKOTIA - TIMMINS MINING AREA, ONTARIO



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